



PSC NEWS

Missouri Public Service Commission

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PSC APPROVES AGREEMENT REACHED IN LACLEDE GAS RATE CASE

Jefferson City (October 3, 2002)---The Missouri Public Service Commission has approved an agreement reached by various parties which will increase the annual natural gas revenues of Laclede Gas Company by approximately \$14 million, less than half of what the Company sought when it filed a \$36.1 million rate request on January 25, 2002. This rate increase should take effect within the next 30 days. Laclede Gas Company must file tariffs which reflect the Commission's approval of the agreement. Those tariffs will then need Commission review and approval.

Under the agreement, natural gas rates for a typical residential heating customer will increase by about \$1.80 a month. If the Company's request had been granted as filed, the \$36.1 million rate hike would have raised the monthly natural gas bill for a typical residential heating customer by approximately \$4.40 a month.

This rate increase generally reflects an increase in Laclede Gas Company's costs associated with operating and maintaining its distribution system. In addition, the rate case reflects added capital costs associated with Laclede's replacement and installation of gas mains, service lines and related facilities.

This rate case involves what is referred to as "non-gas" costs or operating and maintenance expenses and a return on investment in plant (such as natural gas mains and service lines which carry natural gas to the customer's home or business). **The Missouri Public Service Commission does not regulate gas costs or rates that are charged to Laclede Gas Company for natural gas by wholesale suppliers.** The Commission does perform a regulatory review to ensure that regulated natural gas companies such as Laclede Gas Company make prudent decisions in securing natural gas supplies for their customers.

The agreement approved by the Commission was submitted by the Office of the Public Counsel, the PSC Staff, Laclede Gas Company and several intervenors in the case (including large industrial and/or commercial customers of Laclede). The agreement was reached as a result of extensive negotiations conducted by the above parties.

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As a result of the agreement reached in this case, Laclede Gas Company will implement a weather mitigation rate design, a gas supply incentive program and there will be a rate moratorium.

Weather Mitigation Rate Design: This is designed to allow Laclede Gas Company to more consistently recover its fixed costs during the winter months without changing a residential customer's bundled rate for both non-gas and gas costs. The new rate design is not expected to have any impact on a customer's total bill during normal weather. The principal feature of the weather mitigation rate design is the shifting of distribution costs from the second rate block to the first rate block, which is much less weather sensitive.

This rate design was supported by the PSC Staff as an innovative method of recovering fixed costs while avoiding detrimental impacts to customers. Staff believes that this will benefit both consumers and Laclede Gas Company. Customers will see slightly lower natural gas rates during colder than normal weather and slightly higher natural gas rates under warmer than normal winter weather.

Gas Supply Incentive Program (GSIP): Initially proposed by the Office of the Public Counsel, the gas supply incentive program is designed to mitigate the impact of upward volatility in natural gas prices. Various benchmarks or tiers have been established in this GSIP. Laclede Gas Company customers, and in some cases, Laclede shareholders, will share in cost reductions if Laclede is able to achieve certain price levels on the commodity cost of natural gas to its customers. This GSIP contains a cap on the amount of shareholder compensation that can be derived from the program. In addition, the PSC Staff and the Office of the Public Counsel will be able to maintain their ability to conduct prudency reviews on the natural gas purchasing practices of Laclede. This program will end no later than September 30, 2005, unless otherwise ordered by the Commission.

Rate moratorium: As part of the settlement in this case, Laclede Gas Company has agreed to a 16 month moratorium on rate increase requests. As a result, Laclede Gas Company will not file a general rate case before March 1, 2004.

Laclede Gas Company serves approximately 632,600 natural gas customers in the City of St. Louis as well as the Missouri counties of St. Louis, St. Charles, Butler, Iron, Franklin, Jefferson, Madison, St. Francois and Ste. Genevieve.

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